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Message Text

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17
ACTION EA-14

INFO OCT-01 ISO-00 EB-11 COME-00 AID-20 XMB-07 OPIC-12

TRSE-00 L-03 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01

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R 090738Z JAN 74
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1939

C O N F I D E N T I A L SEOUL 156

E.O. 11652: GDS
TAGS: BRFO KS
SUBJECT: FLUOR CORPORATION BID ON SEVENTH FERTILIZER COMPLEX

REF: SEOUL 0079

1. GENE JONES, PRESIDENT FLUOR-KOREA, CALLED AT EMBASSY JANUARY 8 TO DISCUSS US INTEREST IN SEVENTH FERTILIZER PLANT. HE SAID THERE WAS NO EVIDENCE OF DECLINE IN KOREA GENERAL CH MICAL'S OVERALL PREFERENCE FOR AN AWARD OF THE PROJECT TO FLUOR. HOWEVER, THERE WAS POSSIBILITY THAT UREA SEGMENT WOULD BE AWARDED TO JAPANESE (MITSUI). AFTER SOME HESITATION, KELLOG (WHO WOULD BUILD PLANT FOR FLUOR) HAS AGREED TO GO AHEAD WITH PART JAPANESE PLANT. ONE RESULT WOULD BE TO RAISE THE OVERALL COST OF FLUOR'S ENGINEERING BECAUSE OF THE HIGHER COSTOF COORDINATING PLANT SEGMENTS.

2. WITH ABOVE IN MIND, AND GIVEN COST ESCALATION SINCE EXIM $100 MILLION PRECOMMITMENT IN FALL OF '73, JONES ESTIMATED REVISED PRECOMMITMENT TO COVER US COSTS WOULD RUN TO $144 MILLION.

3. KOREA GENERAL CHEMICAL OFFICIALS, ACCORDING TO SMITH, WERE ANXIOUS TO REACH AGREEMENT ON LETTER OF INTENT WITH FLUOR TO FORESTALL GENERAL REEXAMINATION
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OF OVERALL JAPANESE PROJECT OFFER IN DECLINING YEN

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SITUATION. HE THOUGHT AGREEMENT WOULD BE POSSIBLE SOON BUT THERE WOULD HAVE TO BE SOME COMPROMISE IN KGCC'S POSITION ON HOLDBACKS, LIABILITY AND COMPLETION GUARANTEE.

4. JONES IS POSTPONING PROJECTED TRIP TO US TO PRESS FOR AGREEMENT ON KGCC LETTER OF INTENT AND TO DISCUSS REVISED EXIM PRECOMMITMENT WITH EXIM VICE PRESIDENT JOSEPH RAND DURING LATTER'S VISIT TO SEOUL NEXT WEEK. HE SAYS HE HAS BEEN TOLD BY KGCC OFFICIALS THAT SHUNTING ASIDE OF YOSU PETROCHEMICAL COMPLEX HAS RESULTED IN AWARD BY ROKG OF ABSOLUTE PRIORITY TO THIS PROJECT.

5. EMBASSY WILL FOLLOW DEVELOPMENTS CLOSELY IN CONTACTS WITH KGCC, ROKG, FLUOR AND EXIM'S RAND, AND WILL REPORT.
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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
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Draft Date: 09 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
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Disposition Authority: golinofr
Disposition Case Number: n/a
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Disposition Reason:
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